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In Budget Feud, Giuliani and Silver Ignore a Culprit: Sept. 11

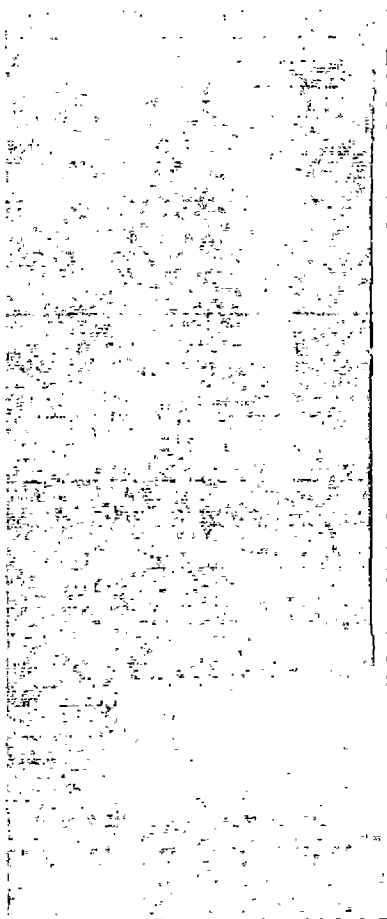
By JAMES C. McKINLEY Jr.

ALBANY, Oct. 28 — Since the state passed its final budget Thursday, a feud has erupted between Mayor Rudolph W. Giuliani and Assembly Speaker Sheldon Silver about who is to blame for the relatively meager amount of state money flowing to the city and its schools.

The mayor says that Mr. Silver did not fight hard enough for the city. Mr. Silver counters that the mayor should have exerted more influence over his Republican colleagues, Gov. George E. Pataki and the Senate majority leader, Joseph L. Bruno. Aides to Mr. Pataki and Mr. Bruno say that infighting caused Assembly Democrats to miss a historic chance to help the city.

What is lost in all the finger-pointing is that the true culprits may be the terrorists who destroyed the World Trade Center on Sept. 11.

Just a few days before the attack, the governor and legislative leaders were close to finishing a deal that would have increased state aid to local school districts by $880 million, about $500 million more than Mr. Pataki first proposed in January, legislative staff members and Pataki officials said. That deal included about $300 million over the next two years to pay for a new teachers' contract in New York City.



But that agreement hinged on whether Mr. Silver's Democratic majority would accept the governor's plan to stretch out payments on about $5 billion in loans for school construction. Suburban lawmakers from both parties complained loudly about the scheme, charging that the governor in essence would be shifting money from the suburbs to the city.

Suburban voters had approved bond acts because they had expected a certain level of state aid, they argued, and Mr. Giuliani had cut the city's contribution to its schools by $120 million. Some Westchester Democrats circulated a letter attacking the governor.

"You couldn't take money from Mount Vernon and White Plains to give New York City in a year when New York City was cutting support to its own schools," Mr. Brodsky said in a recent interview.

The letter infuriated Mr. Pataki, who needs suburban support to win re-election next year, Republican aides said. He called off a meeting with Mr. Silver and Senator Bruno on Sept. 6, when the last details of the agreement were expected to be ironed out.

On Sept. 10, Senator Bruno complained that the poison pen letter had scuttled the negotiations. The next day, hijacked airplanes hit the towers.

When budget talks finally resumed several weeks later, the governor warned that the state's tax revenues could plummet by at least $3 billion this fiscal year. He refused to agree to any additional spending above the preliminary $80 billion budget lawmakers had passed in early August. That budget was intended to draw Mr. Pataki into negotiations on more spending. It was stripped of all new spending, as well as several cost-cutting measures that the governor wanted.

Faced with a genuine fiscal crisis on the horizon and an implacable governor, Mr. Silver and Senator Bruno scaled back their demands. The final deal they reached last week added about $500 million in new spending, financed mostly through clever accounting devices, including $200 million for schools.

For New York City, the budget was disappointing. Mr. Giuliani lost his fight to restore a yearly $114 million state subsidy started during the 1970's to compensate the city for a tax it repealed. The governor left it out of his budget. After Sept. 11, Mr. Silver said, it became impossible to justify restoring it. The same was true for a $6.5 million grant to the New York Police Department for special projects and $13.5 million in highway aid. The governor did not want to spend any more money, one senior Silver aide explained.

On school aid, the Legislature had already passed the governor's proposed increase of $382 million as part of the bare-bones budget in August, but it did not enact the stretch-out of payments for school construction, nor did it adopt Mr. Pataki's plan to collapse several streams of aid for special purposes into a single block grant.

An attack shifts the state's priorities, affecting aid to the city.

Left alone, the bare-bones budget would have compelled the state to spend about $745 million on schools, of which only $120 million would have gone to the city. The reason was that suburban districts have done a better job of taking advantage of the state's building-aid subsidies than the city has. Construction aid accounted for about $480 million of $745 million increase, and most of it would have flowed to the suburbs, Republican legislative aides said.

The final budget agreement passed Thursday changed the picture only slightly. State budget officials estimate that, once all the building aid claims are paid, the increase in school aid this year will end up being about $780 million. So far, about $158 million of that increase has been allocated to the city, or about 20 percent. But about $100 million of the increase has yet to be allocated, and Thursday's law empowers Mr. Silver and Senator Bruno to divvy up that money.

These figures gave Mr. Giuliani an opportunity to attack Mr. Silver, who blocked the mayor's request for an extended term after the terror attacks. The mayor complains that if the Legislature had just adopted Mr. Pataki's proposed budget, New York City would have received about 38 percent of the $382 million increase instead of about 20 percent of the $780 million increase. The Republicans in the Pataki administration and the Senate have backed up Mr. Giuliani, saying the city fared poorly.

But Mr. Silver's aides say Mr. Giuliani is making false assumptions. The mayor assumes, they say, that all of the building aid will go to upstate New York or Long Island. That money has yet to be appropriated, however, and it will not be clear until November precisely how much will be needed or where it will go.

Mr. Silver's aides also point out that the mayor is assuming that none of the $100 million in operating aid that the two legislative leaders still have to distribute will go to the city. That is extremely unlikely because Mr. Silver represents Lower Manhattan. They point out that about 60 percent of $100 million in new operating aid already spelled out in the final budget will go to the city.

Mr. Silver also said that last spring the Assembly Democrats proposed a $1.7 billion increase in school aid, with more than 40 percent going to the city. The Democrats then fought for nine months to persuade the Republican governor to accept it, while the mayor did nothing to help, he said.

Beyond the disputes over numbers, people on both sides of the argument are upset because a deal that was so tantalizing close just days before the attacks has become irretrievably lost. The $880 million package would have sent about $320 million to the city, or about 36 percent of the increase, Pataki aides said.

Randi Weingarten, the president of the union representing the city teachers, said: "Everybody dropped the ball here. They came to a preliminary agreement on it, but the Westchester folks wanted a piece of the pie. Things got derailed. And then Sept. 11 happened."

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